

Memorandum

To: Panel Members Date: December 19, 2002

From: Dolores Kendrick, Manager
Peter DeMauro, General Counsel Analyst: J. Johnson

Subject: One-Step Agreement for **Pleasant Holidays, LLC**
(www.pleasantholidays.com)

CONTRACTOR:

- Training Project Profile: Retraining: companies with out-of-state competition and Training in High Unemployment Areas of California
- Legislative Priorities: Displaced/Potentially displaced workers
- Type of Industry: Services
- Repeat Contractor: No
- Contractor's Full Time Employees:
 - Company Wide: 711
 - In California: 496
- Fringe Benefits: Yes
- Union Representation: No
- Name and Local Number of Union representing workers to be Trained: N/A

CONTRACT:

- Program Costs: \$104,000
- Substantial Contribution: \$0
- Total ETP Funding: \$104,000
- In-Kind Contribution: \$199,208
- Reimbursement Method: Fixed-Fee
- County(ies) Served: Ventura and Kern
- Duration of Agreement: 24 months

SUBCONTRACTORS:

Bakersfield College - Bakersfield, California - not to exceed \$160,000 - for provision of training.

THIRD PARTY SERVICES:

Applicant states consultant services have not and will be used other than those specified in the subcontractor section of the Agreement.

NARRATIVE:

This project is eligible for ETP funding under Title 22, California Code of Regulations, Section 4416(a)(3)(4) for a company providing a service out-of-state and in California in competition with providers of the same service located outside California.

Founded in 1959 and headquartered in Westlake Village, California, Pleasant Holidays, LLC (Pleasant) is a wholesale tour operating company offering full leisure travel packages which include airfare, hotel rooms, car rentals, and optional tours to its customers. Pleasant employs 711 workers worldwide of which 496 are Californians. In addition to corporate headquarters, Pleasant has call centers in Westlake Village, Bakersfield and San Diego. The training in this project will be for 200 workers from the Bakersfield and Westlake Village offices which sell product lines covering the areas of Hawaii, Mexico, and the Caribbean.

Pleasant contracts with vendors to purchase blocks of rooms and seats from hotels, airlines, and car rental agencies at wholesale rates. These components are then customized into diverse packages for customers. Approximately 90 percent of Pleasant's customers are travel agents located all over the world. The remaining 10 percent of the business are direct customers as a result of media advertising.

There are several factors contributing to the difficult economic times in the travel industry. In addition to the obvious tragedy of September 11 which significantly deterred and limited travel, there now exists increased competition from Internet companies who can operate with little or no overhead and are able to undercut prices as a result. Further, the industry's customer base has become increasingly sophisticated and is demanding greater convenience, competitive prices, faster response time, and polished customer service.

Rapid changes in industry-specific technology and the travel industry as a whole are forcing the Contractor to refocus its business strategy by developing new marketing approaches in order to remain a viable entity. Part of this strategy is to upgrade and improve the skill sets of its workers to enable them to fully function in this constantly evolving environment. Pleasant contends that training its workers in customer service and sales skills is critical for the continued financial success of the company.

Business Skills, consisting of sales consulting and customer service techniques, will enable sales, customer service, reservations, and customer relations staff to become more than order takers. As product lines have become more complicated and diverse, it has become necessary for these workers to learn how to qualify calls, make proper suggestions to sell products, and to close sales.

All project administration will be provided by the Contractor.

No executives who set company policy will be trained under this Agreement.

NARRATIVE: (continued)

Supplemental Nature of Training

The only training currently offered by Pleasant is a two-week classroom session followed by a one-week on-the-job training session in which newly-hired workers are taught the computer system, basic phone skills, and booking procedures for the Hawaii destinations. These courses are generic and only include four hours of Customer Service training.

The training to be provided with ETP funding will be specifically designed for Pleasant's call center environment and is comprised of 40 hours of classroom/laboratory instruction in customer service and sales skills. Pleasant contends that absent funding from the Panel, the current and future training needs, which are directly tied to the goals of the company, would be in jeopardy. In order to remain a viable entity in the California economy, the company must markedly improve its ability to sell products and provide better customer service than its competitors.

In the two years following this Agreement, the company expects to build upon the training provided in this Agreement and provide ongoing sales and customer service skills training at a cost of approximately \$145,500.

In-Kind Contribution

The Contractor is contributing \$199,208 comprised of \$131,080 in wages paid to workers while in training; \$56,000 in excess cost of subcontractor performing training; and \$12,128 in training for non-ETP eligible trainees.

COMMENTS:

Title 22, California Code of Regulations, Section 4417, Secure Job, states in part that the Panel shall fund training for employment that is stable and that an employer's turnover rate shall not exceed 20 percent annually. The Panel may accept a higher turnover rate, if the employer provides evidence that it experienced a singular reduction in force or other occurrence, which adversely affected the turnover rate in the last calendar year.

Pleasant Holidays' turnover rate for 2001 was 43 percent. This rate was due to layoffs as a result of the weakened economy in the travel industry following the September 11 tragedy. The company is requesting a waiver to the above regulation. Without these layoffs the turnover rate in 2001 was 22 percent. The turnover rate for the first 10 months of 2002 was at 18 percent. According to William M. Mercer, Inc. Call Center Compensation Study the national average turnover rate is 77 percent for entry-level call center representatives and 49 percent for intermediate representatives. The company contends improved skills levels will generate more revenue for the company and allow workers to earn higher commissions, resulting in increased employee satisfaction and a decrease in turnover.

The company has been informed that the Agreement, if approved, would contain a requirement that Pleasant will not earn the final 25 percent reimbursement unless the company achieves a turnover rate of 20 percent or less for the last 12 months of the Agreement.

Although one of the call centers is located in Kern County, which has been designated an Area of High Unemployment, the company is not requesting a waiver to the ETP minimum wage.

All participants in this project meet the Panel definition of frontline workers under Title 22, California Code of Regulations, Section 4400 (ee) (1,3).

COMMENTS: (continued)

Calculating Minimum Wages for ETP Purposes

Commissions earned by Reservation Agents may be added to base wages and health benefits in order to meet the ETP minimum of \$11.15 per hour for Ventura and Kern Counties.

PROPOSED ACTION:

Staff recommends that the Panel approve this One-Step Agreement and the turnover waiver request, if funding is available and the project meets Panel priorities. This recommendation is based on Pleasant Holidays' stated need to provide its workers with skills to remain competitive, to ensure a continuing relationship with its customers, and to remain viable in the California economy.

TRAINING PLAN:

| Grp/Trainee Type | Types of Training | No. Retain | No. Class/Lab Videocnf. Hrs | No. CBT Hrs | No. SOST Hrs. | Cost per Trainee | Hourly Wage after 90 days |
|--|-------------------|------------|-----------------------------|-------------|-----------------------------|--|---------------------------|
| Job 1 Retraitees | Business Skills | 200 | 40 | 0 | 0 | \$520 | *\$11.15-\$15.50 |
| | | | | | | | |
| | | | | | | <u>Prevalent Hourly Wage</u> | |
| | | | | | | \$11.15 | |
| | | | | | | <u>Average Cost per Trainee</u> | |
| | | | | | | \$520 | |
| <u>Health Benefit used to meet ETP minimum wage:</u> | | | | | <u>Turnover Rate</u> | <u>% of Mgrs & Supervisors to be trained:</u> | |
| *Health benefits from \$.99 to \$1.40 per hour may be applied to the base wage of Reservation Agents trainees in order to meet the Employment Training Panel minimum hourly wage of \$11.15 per hour for both Ventura and Kern Counties. | | | | | 43% | 0 % | |

PLEASANT HOLIDAYS

CURRICULUM

40 Class/Lab Hours

Business Skills

Consultative Sales

- Communication Skills
- Buyer and Seller
- Building Rapport
- The Sales Process

Customer Service

- Defining Customer Service
- Customer Needs and Expectations
- Creating Added Value
- “Fish” Philosophy
- Telephone Skills
- Handling Difficult Customers
- Resolving Customer Complaints